



FY 2003 Defense Budget

February 2002

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National Defense Topline

(Discretionary \$ in Billions)



Budget Authority

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>
DoD Discretionary	331.2	369.3	387.9	408.8	429.6	451.4
Civilian accrual *	3.2					
War contingency		10.0				
Revised DoD (051)	334.3	379.3	387.9	408.8	429.6	451.4
DoE - 053	15.1	15.6	15.9	16.2	16.5	16.9
Other - 054	<u>1.3</u>	<u>1.2</u>	<u>1.3</u>	<u>1.3</u>	<u>1.3</u>	<u>1.3</u>
Total National Defense (050)	350.8	396.1	405.0	426.2	447.4	469.6

* Included in DoD budget FY 03-FY 07; FY 02 shown for information only

FY 03 DoD Budget

(Discretionary Budget Authority)



FY 02 Enacted Budget

Dollars in Billions

331.2

- Inflation +6.7
- Topline increase +13.3
- Homeland Security increase +0.6
- Nuclear Posture Review +0.7
- Accruals: +11.4
 - Military over 65 health care +8.1
 - Civilian retirement/health care +3.3
- Transfers to other agencies/ accounts -4.1
- Cost of war +9.4
- Contingent wartime operations +10.0

FY 03 Budget request

379.3

FY 03 DoD Budget

(Budget Authority, \$ in Billions)



FY 02 Enacted Budget	331.2
Inflation	+6.7
“Must Pay” bills:	+14.1
Military over 65 health care accrual	+8.1
Civilian retirement/health care accrual	+3.3
Military & Civilian pay raises	+2.7
Realistic costing :	+7.4
Realistic weapons costing	+3.7
Fund readiness/OPTempo	+3.1
Depot maintenance	+0.6
Program cuts	-9.3
Baseline FY 03 requirements	350.1
Cost of War	<u>+19.4</u>
Revised Baseline	369.5
FY 03 Budget	379.3
Available for all other requirements	+9.8

Trade-Offs Made



Making Changes to What We Fund

- Terminated programs not in line with strategy or not meeting performance
 - DD-21, Navy Area Missile Defense, 18 Army legacy programs, Peacekeeper
- Restructured programs not meeting hurdles
 - V-22, SBIRS-Low
- Managing assets in a more business-like manner
 - B-1 consolidation to support funding of B-1 modernization
- Accelerate retirement of aging systems
 - F-14, S-3, UH-1 helicopters, DD-963

Decisions to Fund Higher Priorities

- Some procurement rates not at replacement level
 - Shipbuilding
 - Tactical aircraft
- Faster growth in S&T
 - Held at realistic capacity
- Focusing recapitalization of legacy forces
 - Reduced buys of legacy systems
- Modernizing the infrastructure
 - Rate slowed by base closure dates

Programs Reduced in FY 03 Budget

(Budget Authority, \$ in Billions)



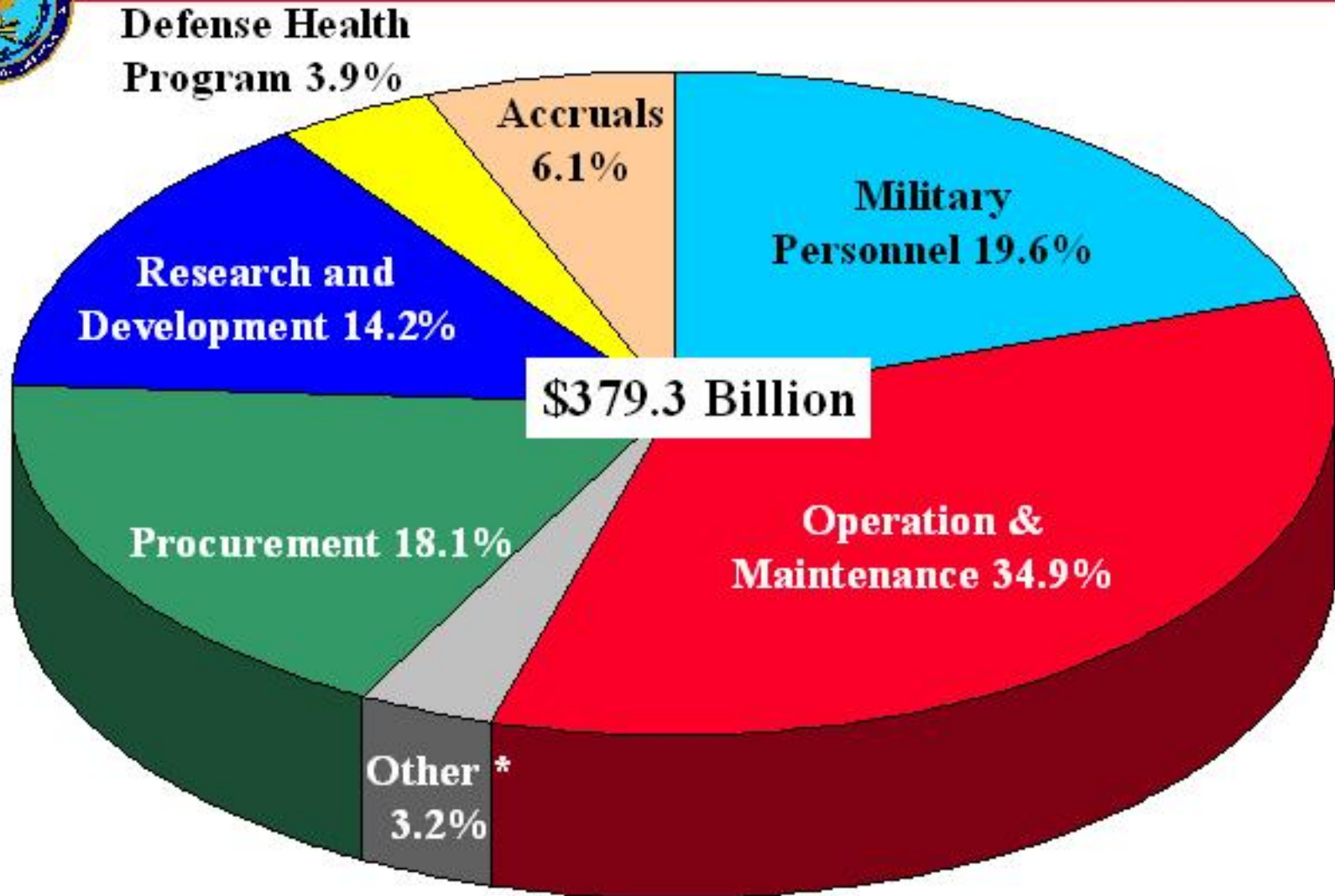
Program

FY 03 Reductions

• Reduce LPD-17 production from 2 to 1	1.1
• Restructure Low Altitude Space based IR system	0.8
• Terminate 18 Army legacy systems	0.5
• Delay SH60-R development	0.4
• Reduce EELV procurements	0.4
• Defer low priority Military Construction projects	0.4
• Phase out of legacy ships/aircraft	0.4
• Reduce HQ Staff	0.2
• Reduce Defense Agencies	0.2
• Terminate Navy Area Missile Defense system	0.1
• Other minor changes	<u>4.8</u>
Total Reductions	9.3

FY 03 DoD Budget

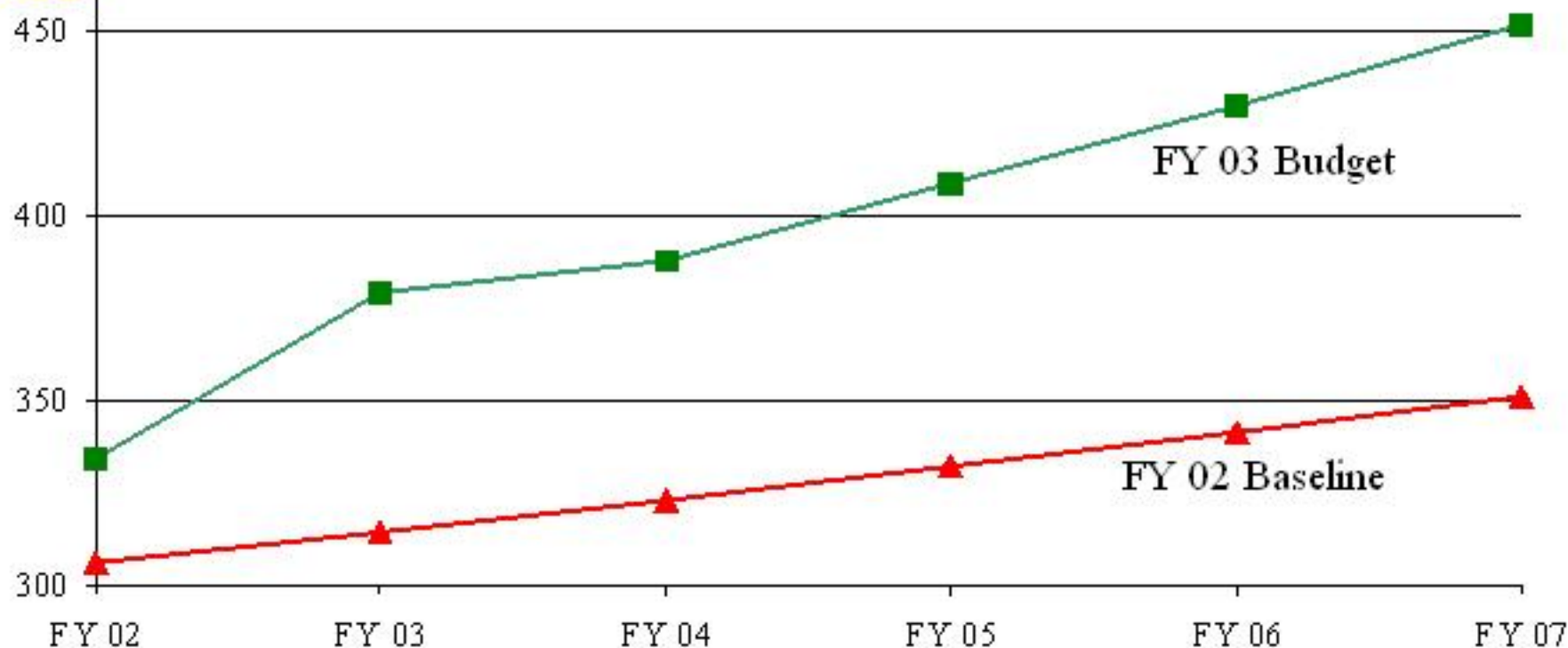
(Discretionary Budget Authority)



* Includes Military Construction, Family Housing and Revolving Funds

DoD Discretionary Toplines

(\$ in Billions)



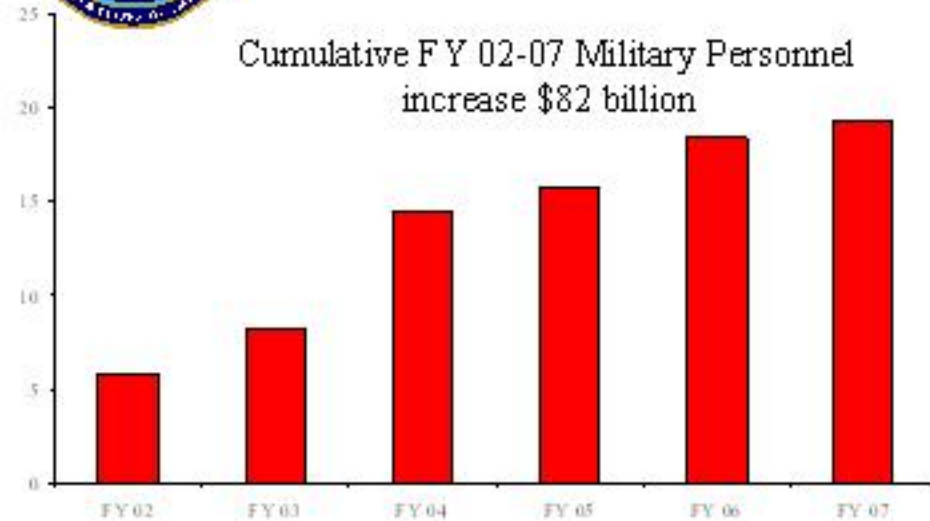
	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>CUM</u>
FY 02 Baseline	306.0	314.4	323.2	332.2	341.5	351.1	
FY 02 Amended Budget Request	328.9						
FY 03 Budget	334.4	379.3	387.9	408.8	429.6	451.4	
Dollar change FY02/FY 03	28.4	64.9	64.7	76.6	88.1	100.3	423.0
Percent Change	9.3	20.6	20.0	23.1	25.8	28.6	

Funding Increases FY 02 Baseline-FY 03 Budget

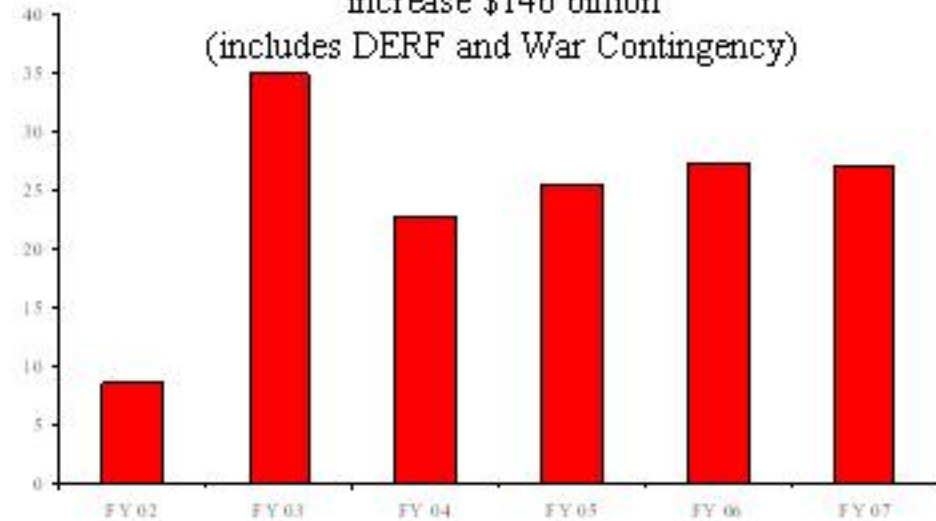
(\$ in Billions)



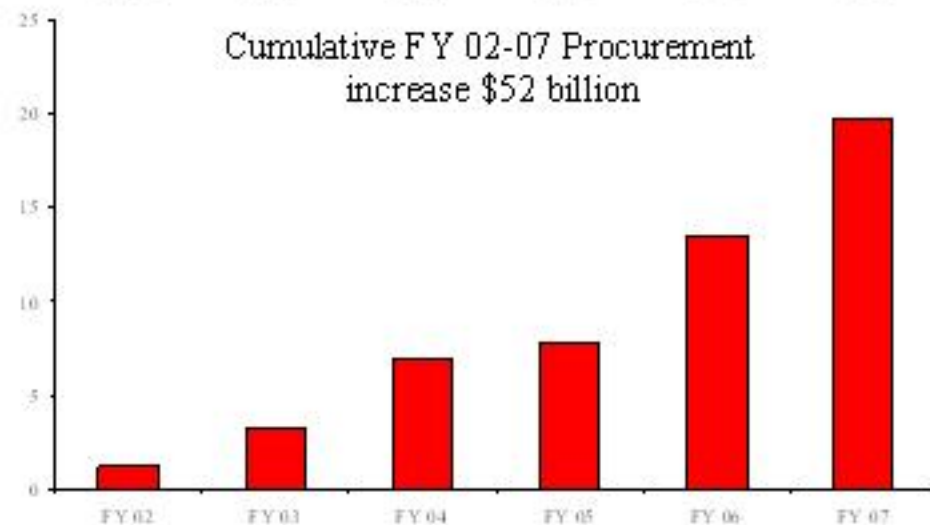
Cumulative FY 02-07 Military Personnel
increase \$82 billion



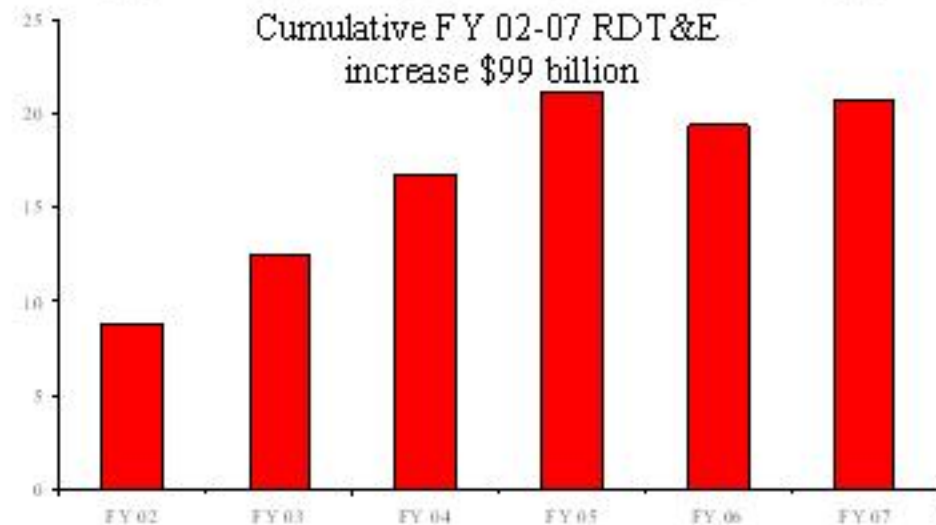
Cumulative FY 02-07 Operation & Maintenance
increase \$146 billion
(includes DERF and War Contingency)



Cumulative FY 02-07 Procurement
increase \$52 billion



Cumulative FY 02-07 RDT&E
increase \$99 billion



DoD Budget by Service

(Discretionary Budget Authority, \$ in Billions)



	<u>FY 02</u>	<u>FY 03</u>	<u>Change</u>
• Army	80.9	90.9	+10.0
• Navy/Marine Corps	98.8	108.3	+9.5
• Air Force	94.3	107.0	+12.7
• Defense Emergency Response Fund	3.5	20.1	+16.6
• Defense Wide [*]	<u>53.7</u>	<u>52.9</u>	<u>-0.8</u>
Total	331.2	379.3	+48.1

* Includes Defense Health Program

FY 2003 Defense Budget

Balanced Program to Advance President's Priorities



- Fight and win war on terror
- Maintain morale and readiness of US military
- Transformation: to create military for the 21st Century
- Continue to improve DoD management operations

Fight and Win War on Terror



- Root out terrorists, terminate sponsorship by state and non-state entities, and reduce threats posed by weapons of mass destruction
- Improve warfighting readiness of our forces by increasing training resources and enhancing joint training and experimentation
- Invest in preferred munitions -- JDAM, LGBs, remanufacture Tomahawk
- Upgrade intelligence capabilities
- Accelerate Unmanned Air Vehicle/Unmanned Combat Air Vehicle (UAV/UCAV) funding
- Continue to improve C² and space capabilities
- Improve force protection

Fight and Win War on Terror

(\$ in Billions)



	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>
• Combating terrorism	4.6	5.2	6.7	7.9
• FY 01 supplemental (Sept 01)		13.7	0.3	
• FY 02 anti-terrorism amendment			3.5 *	
• FY 02 supplemental (March 02)			TBD	
• FY 03 long-term related requirements				9.4
• FY 03 cost new operational requirements				10.0
Total	4.6	18.9	10.5	27.2

* Includes \$0.1 billion in Military Construction

Fight and Win War on Terror



- **Antiterrorism** – \$9.3 Billion in FY 03
 - Defensive measures to reduce vulnerability to terrorism
 - Enhance force protection for in-transit forces and improved security at foreign ports
- **Counterterrorism** – \$0.7 Billion in FY 03
 - Offensive measures to prevent, deter, and respond to terrorism.
- **Consequence Management & Intelligence** – \$0.6 Billion in FY 03
 - Activities to alleviate damage and loss of life in response to acts of terrorism.
 - Collection, analysis, and dissemination of intelligence to protect, deter, preempt, or counter terrorist threats

Maintain Morale and Readiness of US Military



Continue investment in our people

- **Pay:** Fund FY 03 military pay at 4.1%, ahead of index of 3.6%, and additional amounts up to 2% for the mid-career force
- **Health Care:** Fully fund health care; implement "TRICARE for Life" accrual
- **Housing:** \$4.2 billion to improve/privatize housing and lower out-of-pocket expenses for off-base housing to zero by 2005

Forces ready when needed

- Substantially fund readiness accounts – flying hours, steaming days, tank miles, maintenance backlogs – with only minor shortfalls
- Establish a standing Joint Force Headquarters for the combatant CINCs to improve joint training and readiness

Replace and modernize facilities

- Defer military construction projects to reflect delay in additional round of base closures in 2005
- Program nearly \$20 billion from FY 04 to FY 07 to reduce recapitalization rate to goal of 67 years by FY 06
 - FY 03 budget somewhat lower than FY 02; increases in conjunction with base closures
 - Increase sustainment money to improve existing facilities

Military Personnel

(Budget Authority, \$ in Billions)



Overview:

	<u>FY 02</u>	<u>FY 03</u>
• Army	30.4	35.6
• Navy	21.2	24.0
• Marine Corps	7.8	9.1
• Air Force	<u>22.6</u>	<u>25.5</u>
Total	82.0	94.3

Highlights:

- Fund military pay raise at Employment Cost Index plus 1/2% (4.1%)
- Fund additional targeted pay raise up to 2% for the mid-career force
- Reduce Basic Allowance for Housing out-of-pocket costs for military members from 11.3% to 7.5%; eliminate by FY 05
- Active duty personnel end strength of 1,389,700
- Selected reserve and guard personnel end strength set at 864,600

Operation & Maintenance

(Budget Authority, \$ in Billions)



Overview:

	<u>FY 02</u>	<u>FY 03</u>
• Army	27.9	31.0
• Navy	31.1	34.0
• Air Force	31.9	34.0
• Defense Emergency Response Fund	3.4	20.1
• Defense Wide *	<u>33.4</u>	<u>31.2</u>
Total	127.7	150.4

Highlights:

Sustain significant funding to meet realistic readiness and training requirements

- Increase Army tank miles to 849 in FY03 from 831 in FY 02
- Increase Navy tactical flying hour program to meet goal of 89% of requirements, up from 84% in FY 02
- Fully fund 1.3 million Air Force flying hours, as in FY 02

* includes Defense Health Program

DoD Health Care

(Budget Authority, \$ in Billions)



FY 02

FY 03

Overview:

Health care costs

18.3

22.4 *

Highlights:

Increase in benefits has made this one of our fastest growing accounts.
The FY 02 budget realistically funds these health care costs:

- Pharmacy costs grow at 15%
- Managed care support contracts/other private sector care grows at 12%
- Military treatment facilities grow at 6.2%
- Funds accrual payments for Medicare-eligible retirees

* Reflects health care accrual costs in Military Personnel accounts

Military Construction/Family Housing

(Budget Authority, \$ in Billions)



Overview:

Military Construction

FY 02

FY 03

6.5

4.8

Family Housing

4.1

4.2

Highlights:

- Delay military construction projects to align with delay in BRAC
- Family Housing funding increased to emphasize Quality of Life (2 new child care centers, 7 new physical fitness centers)
- Increased emphasis on sustainment and Quality of Life (46 new Barracks)
- Services are funding 91% of the sustainment requirement vs. 89% in FY 02

Transformation Themes



- Move toward “maneuver and air dominance” - increasingly all-stealth fighter force and future combat system
- Introduce concept of a new “triad” to integrate strategies
 - Nuclear, conventional offensive and defensive; and the C³I systems that make them work
- Enhance information dominance and space operations
- Invest in smaller, more accurate weapons for minimum collateral damage
- Fund Missile Defense at \$7.8 billion in FY 03 to reach \$11.1 billion in FY 07

Missile Defense Program

(Budget Authority, \$ in Billions)



Overview:

	<u>FY 02</u>	<u>FY 03</u>
• Missile Defense System	0.8	1.1
• Terminal Defense	0.1	0.2
• Midcourse Defense	3.8	3.2
• Boost Defense	0.6	0.8
• THAAD	0.9	1.0
• PAC-3	0.9	0.6
• MEADS	0.1	0.1
• Other	<u>0.6</u>	<u>0.9</u>
Total	7.8	7.8

Highlights:

- Terminate Navy Area Theater Ballistic Missile Defense program
- Slip Space Based Infra-Red System-Low (SBIRS-L) 2 years
- Increase Sea, Air and Space based boost programs
- Establish Missile Defense Agency and joint government/contractor Missile Defense National Team for system integration

Transformation Highlights



Trident submarines:

- Convert four submarines to SSGNs - \$1,018 million

Army Transformation:

- Advance the **Army's Future Combat System** - \$707 million

Space capabilities:

- Continue development of the **Advanced Extremely High Frequency Satellite Communications System** - \$826 million
- Accelerate development of the **Space Based Radar** - \$43 million
- Continue promising space control initiatives - \$40 million

Unmanned vehicles:

- Accelerate improvements for **Global Hawk** - \$629 million
- Accelerate development of UAVs with new combat capabilities - \$141 million
- Procure, upgrade and arm **Predators** - \$158 million
- Begin development of Navy's **Unmanned Underwater Vehicle** - \$83 million

Transformation Highlights



Surface warfare:

- Initiate **DD(X)** to insert new technologies into all future surface combatants - \$961 million

Advanced intelligence capabilities:

- Expand wideband, secure, global communications network - \$1.3 billion
- Provide persistent, responsive and robust intelligence collection; better information to the warfighter faster - \$3.3 billion

Precision strike munitions:

- Develop the **Small Diameter Bomb** - \$54 million

New Strategic Triad for 21st Century



- Pursue further unilateral reductions to 1,700-2,200 operationally deployed strategic warheads in next decade
- Retire Peacekeeper missile
- Enhance conventional capabilities, including active defenses, and C4ISR capabilities to serve as new strategic legs
 - Convert four Trident submarines to SSGNs - (\$1,018 million)
 - Modernize strategic command and control - (\$154 million)
 - Enhance DoD strategic systems infrastructure - (\$89 million)

Procurement

(Budget Authority, \$ in Billions)



Overview:

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 03-07</u>
• Army	11.6	13.8	77.3
• Navy/Marine Corps	24.3	24.9	157.9
• Air Force	22.2	27.3	159.9
• Defense Wide	<u>3.0</u>	<u>2.8</u>	<u>13.4</u>
Total	61.1	68.7	408.5
• Procurement in DERF		3.2	

Highlights:

- Increase equipment for Special Operations Command
(e.g. on-board sensors to detect and counter missile threats; towed decoys and low-band jammers to defeat radar guided missiles; 4 AC-130U gunships)
- Fund 5 ships and SSGN conversions in FY 03
(1 SSN-774 Virginia class submarine, 2 DDG-51 Arleigh Burke class destroyers, 1 LPD-17 Amphibious Transport Dock ship, and 1 T-AKE Combat Logistic Force ship)
- Increase F-22 aircraft production from 13 to 23

Low Density/High Demand



- Global Hawk (UAV) - (\$629 million)
 - Buy 3 air vehicles - (\$170 million)
 - Accelerate planned evolutionary development - (\$306 million)
 - Radar range improvements and SIGINT
 - Begin development of an operational maritime UAV - (\$152 million)
- Unmanned Combat Air Vehicle - (\$141 million)
 - Continue development of UCAV to begin operational assessment in FY08
- MH-53 Extension - (\$85 million)
 - Install an Advanced Directional Infrared Countermeasures System - (\$31 million)
 - Extend life of MH-53s to 2011 due to delays in CV-22
- Predator - (\$158 million)
 - Buy 22 new air vehicles; upgrade and arm remaining fleet

RDT&E

(Budget Authority, \$ in Billions)



Overview:

	<u>FY 02</u>	<u>FY 03</u>
• Army	7.0	6.9
• Navy/Marine Corps	11.4	12.5
• Air Force	14.5	17.6
• Defense Wide	<u>15.5</u>	<u>16.8</u>
Total	48.4	53.9

Highlights:

- Fund DD-X ship development
- Continue Joint Strike Fighter development
- Accelerate Special Operations Command capabilities
- Fund Advanced Extremely High Frequency satellite and laser communications
- Sustain intelligence and other science and technology (S&T) efforts
- Fund S&T at 2.7% of Topline

S&T Funding

Investing in the Points of Leverage



- **Army** – future combat and soldier systems, medical technology, basic research
- **Navy** – mine warfare, RF systems and electronics, undersea systems, basic research
- **Air Force** – space, directed energy, aircraft propulsion, basic research
- **Accelerate technologies** – space communications and DoD intelligence/knowledge

	<u>FY 02 Request</u>	<u>FY 03 Request</u>
S&T Funding - (\$ in Billions)	8.8	9.9
S&T % of Topline	2.7	2.7